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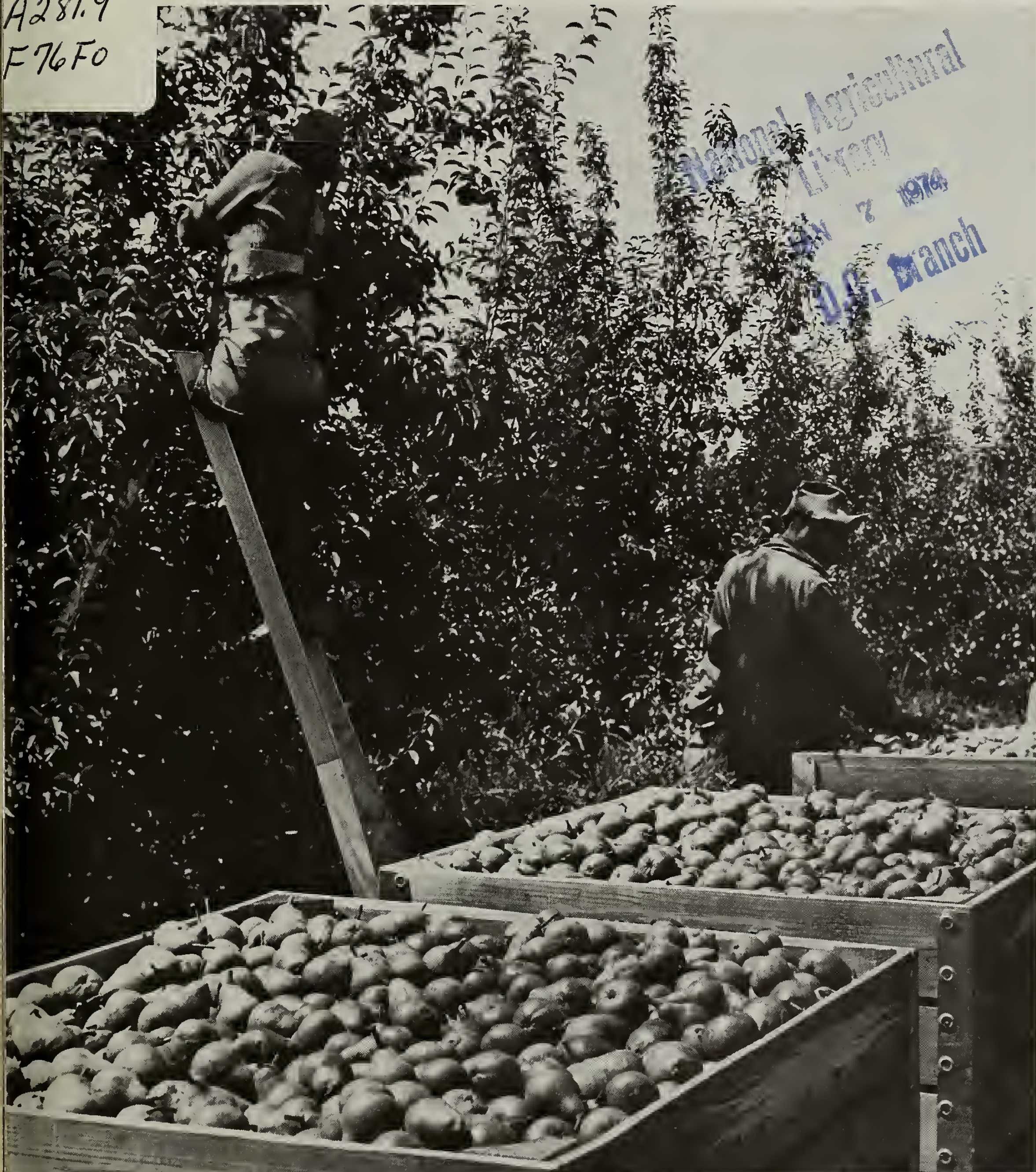

September 10, 1973

U.S. Fruits and Vegetables in World Markets

Foreign Agricultural Service
U.S. DEPARTMENT OF AGRICULTURE

FOREIGN AGRICULTURE

VOL. XI • No. 37 • Sept. 10, 1973

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This week's cover:

Pears are picked and packed in bulk bins in South Africa, a major U.S. competitor in Western Europe's fruit market. The U.S. pear crop, both Bartlett and winter, is larger this year and exports should move well. For U.S. fruit and vegetable export prospects, see article this page.

Use of funds for printing *Foreign Agriculture* has been approved by the Director of the Bureau of the Budget (May 1, 1969). Yearly subscription rate: $20.00 domestic, $25.00 foreign; single copies 45 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

U.S. Fruits and Vegetables Move Strongly to World Markets

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EXPORTS OF FRUITS, nuts, and vegetables from the United States moved aggressively to foreign markets in fiscal 1973 to set an alltime record in dollar earnings of $790 million—a fifth above those of fiscal 1972.

Although gains were experienced in nearly every commodity sector, star performers were fresh fruits—both citrus and noncitrus—and fresh vegetables.

Barring adverse conditions through harvesting, more abundant U.S. supplies of most horticultural products could boost exports still further in fiscal 1974.

Canada and Japan—important U.S. markets for horticultural products—remained the top growth markets in fiscal 1973. Taking a commanding lead in relative growth, Japan increased imports by 35 percent to $88 million, largely as a result of hugh volume purchases of grapefruit and lemons, now released from quota restrictions, although grapefruit is still subjected to high import duties. Fruit-loving Japanese received some 5.1 million cartons of U.S. grapefruit and 5.1 million cartons of lemons during the fiscal year.

Canada took first-place honors in absolute market growth. Here, imports gained 19 percent to peak at $333 million, compared with $280 million last fiscal year. Though commodity gains were widespread, fresh vegetables alone accounted for 47 percent of the overall net gain.

Despite continuing roadblocks to trade, sales to the six European Community (EC) countries registered reasonably strong gains, largely because of rising lemon sales and much higher unit prices for both canned and dried fruits.

Several market breakthroughs of possible future trade significance highlighted the year. For the first time, California lemons moved to the Soviet Union, which purchased some 300,000 cartons. A repeat sale is probable and exposure to U.S. citrus may open this market to other products.

Another innovation was a 1.4-million-pound apple shipment to the Republic of China (Taiwan), where Japan had previously been main supplier. Further, some 4,600 gallons of frozen concentrated orange juice moved to Poland for the first time. Although not a first, the Soviet Union purchased a sizable quantity of U.S. almonds—about 1.3 million pounds.

Key economic forces underlying the dynamic rise in U.S. fruit and vegetable exports included currency devaluation, growing market affluence, lessened competition, and higher product valuation.

Despite advancing unit prices, devaluation in many instances made U.S. products far more attractive to foreign buyers. The shrinking dollar increased the purchasing power of foreign currencies significantly especially in Japan, where U.S. grapefruit and lemons benefited, and in West Germany, where purchases of U.S. frozen orange juice advanced.

Because of these factors, U.S. exports of canned fruit cocktail moved competitively to the United Kingdom for the first time in years, taking a share of the market from two traditional Commonwealth suppliers—Australia and South Africa.

Growing affluence in certain world markets has sparked demand for U.S. fruits and vegetables. Noteworthy is Canada, where sales volume posted significant gains in spite of generally higher unit prices. Also, booming economies in Japan and Continental Europe exerted a bullish influence on trade.

Competition from foreign sources was generally more subdued than a year ago. For example, European apple and pear crops were less burdensome in volume for the first time in years. This opened new opportunities for U.S. products, not only in Europe, but also in Venezuela—a key Latin American market for French apples. Italy's shorter lemon crop prompted U.S. lemon gains in the EC market.

In contrast to very low U.S. canned

tomato exports to the EC in the past, a short Italian pack in 1972 stimulated U.S. movement—about 1.8 million pounds as opposed to only 3,000 pounds a year earlier. Moreover, Italy's shorter almond crop, plus a booming home market in both Italy and Spain, lessened competition in Europe despite sharply higher prices.

A similar situation prevailed for walnuts. Strong demand in both France and Italy prompted supplies to stay at home, rather than move to export channels. Also, competition from the People's Republic of China, an important world supplier, was far less noticeable in Europe during the fiscal year.

For a number of commodities where the United States dominates trading or is a key world supplier, shorter-than-usual U.S. crops had a bullish effect on world market prices. Although the export volume of these products dipped, higher prices caused dollar earnings to gain, or minimized the severity of the drop in dollar earnings.

Examples were fresh grapes, where volume dropped 27 percent, but earnings rose 15 percent; fresh pears, volume off 5 percent, earnings up 16 percent; canned peaches, volume off 7 percent, earnings up 7 percent; and dried prunes, volume off 13 percent, earnings up 21 percent.

Several negative factors continued to operate during the fiscal year. The EC's Mediterranean Citrus Preference Scheme, since its inception in 1969, has caused U.S. exports to trend steadily downward during the March-July months. Historically, about 70 percent of total U.S.–EC trade takes place during this 5-month period—when U.S. and Mediterranean supplies overlap most critically. U.S. citrus exports dropped from 2.9 million cartons in March-July 1969 to only 1.3 million cartons during the same period of 1972.

"By 1978, total U.S. horticultural exports could easily surpass $1 billion . . . if changes are not forthcoming, exports will do well to maintain current levels."

Although a full tally for the same months of 1973 is not yet available, the United States exported no citrus to the EC during March and April, while May exports were only half those of May 1969.

Another restricting influence are EC export subsidies on a number of fresh fruits and tree nuts, which were extended in late November 1972. For the first time, three U.S. markets in Latin America—Brazil, Peru, and Venezuela—were made eligible destinations for fresh apple subsidies—about 75 cents per 42-pound carton, or roughly 20 percent of a normal f.o.b. price for French apples.

The level of U.S. supplies—harvested crops plus stocks—will be critical in determining the volume of fruit and vegetable exports in fiscal 1974. As of mid-August, aggregate noncitrus fruit output was expected to surge about 24 percent over last year. However, carryover stocks of most processed fruits and tree nuts are well below normal, indicating that, with few exceptions, total supplies of processed items will be at less than

Trucks unload newly harvested U.S. grapefruit, left, a star export performer in the Japan citrus market. U.S. shelled almonds, also an export leader, are inspected for quality, above.

desirable levels, with higher prices likely.

Citrus supplies, specifically oranges and grapefruit, are slated to remain abundant, although lemon crop prospects are slightly less favorable. Prices—both grower and retail—are expected to closely approximate last season's.

Output of summer fresh market vegetables could gain 2 percent over last season, with lettuce and onions in more ample supply. Potato supplies could be tight until fall, owing to a 9-percent decline in production. Processing vegetable output may gain 9 percent, but carryover stocks of canned vegetables into the 1973-74 season are slated to be the smallest in years. Fresh and processed vegetable prices, with few exceptions, will probably move upward.

Export prospects are mixed, but barring U.S. crop shortfalls, fruit and vegetable sales could swell to a new high in fiscal 1974. Value gains are expected in citrus exports, while continuing short domestic supplies of dried and canned fruits and tree nuts could temper gains in these sectors.

Most citrus export strength will be in grapefruit and lemons. Although grapefruit sales to Japan may slow somewhat, sales to Europe could expand. Orange and lemon shipments to EC markets are expected to decline unless more favorable conditions are provided for access, but these losses could be offset by increased movement to the Far East.

More adequate U.S. citrus juice supplies this year promise to stimulate exports, with price levels continuing attractive. Growth of Brazil's concentrate pack may be restrained by a smaller orange crop there, widening opportunities for U.S. concentrate in the European market.

Among deciduous fruits, table grape exports promise to continue strong, particularly to Canada. The California crop is estimated to be 51 percent higher than the shortened 1972 crop.

In contrast to recent trends, U.S. apple exports to Europe doubled in fiscal 1973, from the previous year's low volume. This outstanding, but probably transient, gain was due to a small European apple crop in 1972, a shortened Argentine crop, and a flurry of activity before the EC compensatory levy system on apples was imposed on February 1, 1973.

Unless Europe's crop is again sharply reduced, the United States will be fortunate to repeat last year's record apple

Counterclockwise from below: French women sort and pack peaches, which are highly protected by EC minimum import prices. Oranges are readied for processing in South Africa, a major U.S. competitor in West European fruit markets. Grape harvest in New South Wales, Australia, where a shorter crop is dampening raisin exports. Peasants return from apple orchard in the People's Republic of China, a potential U.S. competitor for Far Eastern markets in coming years.

exports in fiscal 1974, although gains may be made in Far Eastern markets.

A larger U.S. pear crop, both Bartlett and winter pears, should push fiscal 1974 exports well ahead of last year, especially to Canada, Venezuela, and Brazil. But EC compensatory levies will continue to restrain sales to the U.K. market.

Although U.S. dried fruit crops—primarily raisins and dried prunes—are larger than a year ago, carryover stocks are low. Consequently, a modest gain in export earnings is probable for raisins —especially in view of Australia's very short crop—largely because of higher unit prices. For prunes, exports will probably equate those of last year.

Canned fruits could register export gains, since the 1973 packs of two key export items—canned peaches and fruit cocktail—will be larger, as will canned packs of pears and apricots. A single major exception is red (sour) cherries —the crop is down sharply. Lower carryover inventories dim the supply picture, however, and prices are likely to rise, although devaluation will soften the effects of rising prices to some overseas buyers.

Exports of U.S. shelled almonds could strengthen, since U.S. crops are abundant and carryover supplies fair. Since the Italian crop is again short and Spain's lower than last year's record, world prices should advance significantly.

Almonds are a particularly bright spot in the current export picture and seem to have almost unlimited market potential. Within 3 years—fiscal 1969–72—exports rose from about $12 million to almost $55 million.

Walnut exports could equal or surpass last year's high levels. A good U.S. crop is in prospect and, although carryovers are somewhat smaller, total supplies are at a comfortable level. Export market emphasis is shifting from an in-shell to a shelled product, and prices are expected to continue strong worldwide.

Although last year's astonishing increase in U.S. fresh vegetable exports stemmed partly from Canadian shortages, affluence in the Canadian market should prompt still another export gain. Lettuce exports to Canada have been exceptionally brisk in recent years. Despite high competition from Mexican produce in winter months, the U.S. market share continues strong, especially for tomatoes. Canned vegetable exports, again mostly to Canada, are slated for a modest increase.

Long-term prospects for U.S. fruit and vegetable exports will continue to depend on the status of trade barriers and preferences erected by various countries and trading groups. At present, U.S. horticultural producers often find their products discriminated against in favor of trading group members—notably the EC.

Particularly restrictive to U.S. trade prospects are EC preferential tarriffs favoring citrus products from Mediterranean countries, which could be broadened to include processed citrus juices. Minimum import price schemes now being considered by the EC are scheduled to affect canned peaches and citrus juice, important to the U.S. trade.

The possible extension of EC membership or preferential treatment to Spain will further erode U.S. market potential, especially since Spain is becoming more sophisticated in the pack of canned fruit. Further, the sugar-added levy system for canned fruits, as well as labeling and container size restrictions for canned fruits and vegetables, discriminate against these U.S. products.

On the other hand, U.K. accession to the EC will give U.S. canned fruit equal competitive status with the two major Commonwealth suppliers—Australia and South Africa.

Notwithstanding possible EC trade policy changes, the pattern of U.S. horticultural exports is likely to begin shifting from Europe to the Far East. Continuing negotiations with Japan—a flourishing market for convenience and specialty foods—are raising hopes for further import liberalization. Both U.S. deciduous and citrus fruit industries, as well as the processed vegetable trade, have exhibited high interest in Pacific and Far Eastern markets.

At present, the EC–9 accounts for about 22 percent of total U.S. fruit and vegetable exports. Within 5 years, that share could drop to the 15–17 percent range, a decline that may be compensated by a rise in sales to the Far East.

By 1978, total U.S. horicultural exports could easily surpass $1 billion, provided that the EC relaxes preferences for fresh citrus and does not impose citrus juice preferences, and that Japan increases present quotas. If changes are not forthcoming, U.S. exports will do well to maintain current levels.

Criticism Aimed at EC System of Funding Agricultural Subsidies

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SPIRALING AGRICULTURAL expenditures and the administration of funds by European Community (EC) institutions have recently aroused sharp criticisms of the Common Agricultural Policy (CAP) and its financing.

British members of the European Parliament have been particularly vocal in claiming misuse of EC farm subsidies. Estimates of annual losses from subsidy mishandling have ranged between $10 million by EC Commissioner Claude Cheysson and a minimum of $130 million by members of the Budget Committee of the European Parliament.

Adding fuel to the situation are rising EC consumer food costs and massive export subsidies designed to dispose of agricultural surpluses, such as those on the recent grain and butter sales to the Soviet Union. The 200,000-ton butter sale alone was subsidized at a cost of over $1,800 per metric ton.

Largely to fund these subsidies, the EC Commission has requested that the Council increase the 1973 EC budget for agriculture to 3.6 billion units of account (u.a.)[1] from the previously budgeted 2.6 billion u.a.

Underlying Community unrest with current fiscal policies and practices is a system of financing that has been variously described as unwieldy, burdensome, and expensive. Common financing of the price support system is directed by the European Agricultural Guidance and Guarantee Fund (EAGGF), sometimes referred to as FEOGA—Fonds Européen d'Orientation et de Garantie Agricole.

EAGGF consists of a Guidance Section, designed to promote improvements in agriculture, and a Guarantee Section, which finances domestic market support and export subsidies to third countries. The Guarantee Section accounts for by far the greater budget share and is the target of present criticisms.

In contrast to the new "own resources" principle that has centralized EC credit resources, control over disbursement of Guarantee Section funds remains primarily in the hands of the Member States. They are responsible for allocating funds among their paying services, monitoring actual disbursements, documenting advance subsidy payments, and preparing annual audits that are forwarded to the Commission.

THE DECENTALIZED system facilities contacts with beneficiaries, according to François Muller, head of the Commission's EAGGF Division, but the diversity of administrative structures and the distance between decisionmakers in Brussels and the agencies that

EC GUARANTEE SECTION EXPENDITURE AND CLEARING OPERATIONS 1962-63 TO 1972 BY MEMBER STATE [1]

Member State and year	Reimbursements [2]		Contributions[3]		Debit balance	Credit balance
	1,000 units of account	Percent	*1,000 units of account*	Percent	*1,000 units of account*	*1,000 units of account*
Belgium:						
1962-63 . . .	305.4	1.06	2,269.1	7.90	1,903.7	—
1963-64 . . .	382.6	.76	4,109.5	8.107	3,726.9	—
1964-65 . . .	1,810.6	1.13	13,451.9	8.415	11,641.3	—
1965-66 . . .	13,621.8	5.71	18,971.5	7.95	5,349.7	—
1966-67 . . .	21,113.5	5.34	31,445.5	7.95	10,332.0	—
1967-68 . . .	91,571.5	8.81	84,243.4	8.11	—	7,328.1
1968-69	112,055.8	6.82	137,777.9	8.39	25,722.1	—
2nd half . . .						
1969 . . .	92,280.8	5.53	162,212.8	9.72	69,932.0	—
1970	188,394.7	7.23	214,891.3	8.25	26,446.6	—
Subtotal .	521,536.7	—	669,322.9	—	147,786.2	—
1971	99,430.4	5.78	—	—	—	—
1972	131,313.0	5.04	—	—	—	—
Total . . .	752,280.1	—	—	—	—	—
Germany:						
1962-63 . . .	1,790.2	6.23	8,042.5	28.00	6,252.3	—
1963-64 . . .	2,636.8	5.20	14,290.7	28.193	11,653.9	—
1964-65 . . .	6,892.6	4.31	46,821.7	29.288	39,929.1	—
1965-66 . . .	18,547.6	7.77	75,575.9	31.67	57,028.3	—
1966-67 . . .	28,895.0	7.32	121,945.1	30.83	93,050.1	—
1967-68 . . .	127,921.4	12.31	311,435.5	29.97	183,514.1	—
1968-69 . . .	289,328.2	17.61	486,210.1	29.60	196,881.9	—
2nd half						
1969 . . .	409,197.6	24.52	471,036.2	28.22	61,838.6	—
1970	671,686.3	25.73	825,511.4	31.70	153,825.1	—
Subtotal .	1,556,895.7	—	2,360,869.1	—	803,973.4	—
1971	[4]482,071.0	28.01	—	—	—	—
1972	499,389.0	19.17	—	—	—	—
Total . . .	2,538,355.7	—	—	—	—	—
France:						
1962-63 . . .	24,479.2	85.23	8,042.5	28.00	—	16,436.7
1963-64 . . .	45,418.1	89.60	13,161.4	25.965	—	32,256.7
1964-65 . . .	124,049.9	77.60	38,659.0	24.182	—	85,390.9
1965-66 . . .	139,115.3	58.30	77,747.4	32.58	—	61,367.9
1966-67 . . .	155,150.2	39.22	115,735.1	29.26	—	39,415.1
1967-68 . . .	402,426.2	38.73	186,422.5	17.94	—	216,003.7
1968-69 . . .	682,883.4	41.57	370,952.7	22.58	—	311,930.7
2nd half						
1969 . . .	493,681.9	29.38	402,311.4	24.11	—	91,370.5
1970	788,683.7	30.29	729,158.3	28.00	—	59,525.4
Subtotal .	2,855,887.9	—	1,942,190.3	—	—	913,697.6
1971	600,721.7	34.30	—	—	—	—
1972	911,755.0	35.00	—	—	—	—
Total . . .	4,368,364.6	—	—	—	—	—

[1] Figures from 1967-68 to 1972 are provisional. [2] EC reimbursements to Member States for eligible expenditures. [3] Member State contributions into fund. Financing system changed effective 1971. [4] EC Commission data vary for Germany. The 1971 financial report gives this figure as 392,070.6 (24.95 percent). Source: EC Commission.

[1] **There is no longer a fixed exchange rate for the dollar, but following the second U.S. devaluation of February 1973, 1 u.a. = approximately US$1.21. In 1971, 1 u.a. = US$1.00.**

actually carry out payments increase the risk of error in applying EC law and render Community verification difficult.

Indeed, many claim that the decentralized system renders control impossible, especially considering the Commission view that prevention and punishment of fraud are the responsibility of Member States. Moreover, the Commission believes that financial consequences of irregularities should be borne by the Community, except in cases of falsification or negligence by Member States.

An EC regulation provides for Commission spot-checking of Member State dossiers, but according to the EC Commission's financial report on EAGGF submitted last April, "its application has hitherto been very limited and very partial, particularly by reason of lack of staff and the long delays in the work of the two sections of the Fund."

FINALLY, THE Committee on Budgets of the European Parliament in Strasbourg in a report dated May 8 notes that "again, with great regret, the largest single expenditure heading of the European Budget, namely the expenditure of the Guarantee Section of the Agricultural Fund, is not subject to adequate external control and the Audit Board is unable to give the official bodies binding information on the financial management of the fund."

One inherent difficulty of the financial system is Community inability to ascertain how much is being paid in export subsidies except after long delays. Although export subsidy rates are set by the Commission, exporters apply to national agencies for export licenses that are valid for several months. The total value of export subsidies is reported periodically to the Commission, but the volume of trade moving under a particular subsidy rate on a day-to-day basis is not known.

A number of EC institutions are responsible for administrative control of Community financial and budgetary policies. They include the Council of Ministers, which votes on European Budget appropriations; the European Parliament, which consults with the Council on the Budget; and the EC Commission, responsible for managing the Fund with the assistance of its EAGGF Committee—composed of representatives from each Member State, chaired by a Commission representative.

Measures governing the present operation of the Guarantee Section have been in effect since 1971, although EC regulations establishing EAGGF date from 1962. The present system differs from the earlier in two important respects.

Originally, Member States disbursed their own appropriated funds and then applied for Community reimbursement, a procedure that delayed clearing operations considerably. Contributions to the Community Fund were assessed among Member States by means of an elaborate formula.

On January 1, 1971, the reimbursement system was replaced by Community financing and advance payments. From appropriated credits, the

EC GUARANTEE SECTION EXPENDITURE AND CLEARING OPERATIONS 1962-63 TO 1972 BY MEMBER STATE [1]

Member State and year	Reimbursements [2]		Contributions[3]		Debit balance	Credit balance
	1,000 units of account	Percent	1,000 units of account	Percent	1,000 units of account	1,000 units of account
Italy:						
1962-63 ...	1,280.6	4.46	8,042.5	28.00	6,761.9	—
1963-64 ...	704.8	1.39	14,193.1	28.00	13,488.3	—
1964-65 ...	2,116.0	1.33	44,761.9	28.00	42,645.9	—
1965-66 ...	4,898.6	2.05	42,954.4	18.00	38,055.8	—
1966-67 ...	108,978.5	27.55	87,018.9	22.00	—	21,959.6
1967-68 ...	197,027.4	18.97	294,921.0	28.38	97,833.6	—
1968-69 ...	266,519.3	16.23	428,362.3	26.08	161,843.0	—
2nd half 1969 ...	445,947.4	26.72	444,858.8	26.66	—	1,088.6
1970	537,505.5	20.64	559,889.4	21.50	22,383.9	—
Subtotal .	1,565,038.1	—	1,925,002.3	—	359,964.2	—
1971	[4]273,234.0	15.88	—	—	—	—
1972	724,053.0	27.79	—	—	—	—
Total ...	2,562,325.1	—	—	—	—	—
Luxembourg:						
1962-63 ...	3.4	.01	57.4	.20	54.0	—
1963-64 ...	5.5	.01	109.6	.216	104.1	—
1964-65 ...	37.5	.02	353.1	.224	320.6	—
1965-66 ...	127.4	.05	525.0	.22	397.6	—
1966-67 ...	199.5	.05	870.2	.22	670.7	—
1967-68 ...	320.7	.03	1,514.6	.15	1,193.9	—
1968-69 ...	1,543.1	.10	2,470.7	.15	927.6	—
2nd half 1969 ...	1,201.5	.07	2,497.8	.15	1,296.3	—
1970	1,992.3	.08	5,208.3	.20	3,216.0	—
Subtotal .	5,430.9	—	13,611.7	—	8,180.8	—
1971	1,422.7	.08	—	—	—	—
1972	1,847.0	.07	—	—	—	—
Total ...	8,700.6	—	—	—	—	—
Netherlands:						
1962-63 ...	864.3	3.01	2,269.1	7.90	1,404.8	—
1963-64 ...	1,541.7	3.04	4,825.2	9.519	3,283.5	—
1964-65 ...	24,957.4	15.61	15,811.4	9.891	—	9,146.0
1965-66 ...	62,324.8	26.12	22,861.3	9.58	—	39,463.5
1966-67 ...	81,203.7	20.52	38,525.6	9.74	—	42,678.1
1967-68 ...	219,737.1	21.15	160,527.3	15.45	—	59,209.8
1968-69 ...	290,298.2	19.67	216,854.3	13.20	—	73,443.5
2nd half 1969 ...	226,558.5	13.58	185,950.7	11.14	—	40,607.9
1970	415,874.4	15.97	269,528.2	10.35	—	146,346.2
Subtotal .	1,323,360.1	—	917,153.1	—	—	406,207.0
1971	264,232.1	15.35	—	—	—	—
1972	336,629.0	12.92	—	—	—	—
Total ...	1,924,221.2	—	—	—	—	—
EC payments reimbursed:						
1962-63 through 1970 ...	7,828,149.4	—	—	—	—	—
1971	1,721,111.9	—	—	—	—	—
1972	2,604,985.0	—	—	—	—	—
Total ...	12,154,247.3	—	—	—	—	—

[1] Figures from 1967-68 to 1972 are provisional. [2] EC reimbursements to Member States for eligible expenditures. [3] Member State contributions into fund. Financing system changed effective 1971. [4] EC Commission data vary for Italy. The 1971 financial report gives this figure as 213,389.3 (13.58 percent). Source: EC Commission.

EC GUARANTEE SECTION EXPENDITURE BY COMMODITY GROUP

Sector	1962-63 to 1966-67		1967-68		1968-69		2nd half 1969		1970		1971		1972 [1]		Total
	Mil. u.a.[2]	Percent	Mil. u.a.[2]	Percent	Mil. u.a.[2]	Percent	Mil. u.a.[2]	Percent	Mil. u.a.[2]	Percent	Mil. u.a.[2]	Percent	Mil. u.a.[2]	Percent	
Cereals, including rice	488.534	53.64	440.768	42.14	692.390	42.14	740.071	44.34	954.050	36.61	523.043	30.41	1,070.732	41.10	4,889.6
Dairy products	269.411	30.85	310.786	30.78	381.835	23.25	463.881	27.80	991.495	38.07	566.605	32.89	614.618	23.59	4,007.1
Pigmeat and beef and veal	33.894	3.88	48.697	4.49	50.250	3.61	46.886	2.81	74.134	2.85	74.134	2.85	62.433	2.40	399.4
Eggs and poultry	11.604	1.33	4.243	.41	6.261	.38	5.552	.33	16.503	.63	11.927	.69	14.123	.54	70.3
Fats and oils	81.093	9.28	131.056	12.61	210.496	12.81	263.828	15.81	281.235	10.80	172.887	10.04	394.137	15.13	1,484.7
Fruit and vegetables	1.702	.19	17.860	1.78	29.189	1.78	37.821	2.27	56.487	2.17	52.864	3.07	69.812	2.68	265.8
Sugar	7.213	.88	67.622	6.51	245.836	14.97	93.316	5.59	194.070	7.45	111.351	6.47	166.578	6.40	885.8
Other commodities[3]	—		11.032	1.00	17.371	1.06	17.518	1.05	24.796	.95	18.465	1.07	23.806	.91	113.0
Tobacco	—		—		—		—		11.387	.44	73.765	4.29	112.375	4.31	197.6
Wine	—		—		—		—		—		28.252	1.64	60.636	2.33	88.9
Flax and hemp	—		—		—		—		—		.699	.04	12.368	.48	13.1
Fishing	—		—		—		—		—		.173	.01	1.447	.06	1.6
Deutsche mark revaluation	—		—		—		—		—		90.000	5.23	—	—	90.0
Seeds	—		—		—		—		—				1.922	.07	1.9
Total	873.461	100.00	1,080.064	100.00	1,642.628	100.00	1,668.868	100.00	2,604.157	100.00	1,721.112	100.00	2,604.987	100.00	12,195.0

[1] Provisional. [2] Unit of account = US$1.20-1.35. Until 1971 U.S. devaluation, u.a. = US$1.00. [3] Processed foods containing agricultural ingredients. Source: EC Commission.

Commission allocates monthly advances to 43 national disbursing agencies, based on their monthly declarations of expenditures. Disbursed funds are placed in special accounts held by each Member State that are reserved exclusively for transactions under the Guarantee Section. Accounts are audited annually on the basis of expenditures actually incurred.

Member States' national paying services differ markedly in structure. The six French and eight Dutch paying services are specialized by agricultural commodity sectors. Germany's 18 organizations are divided geographically along central and State lines. Paying services in Member States with a more limited tradition of market intervention are most often under the direction of the Ministry of Agriculture. Luxembourg, the United Kingdom, Ireland, and Denmark each have one paying service, Belgium has three, and Italy four—three of which are commodity boards.

In a second departure from the original system, the 1971-74 EC budget operates on an "own resources" principal, with revenues progressively coming from agricultural levies, special charges—such as the sugar tax—and customs duties, supplemented by Member State contributions based on a formula derived from gross national product and budget scales set by the Rome Treaty.

By January 1, 1975, the Community will receive 100 percent of all agricultural levies and special charges under the CAP, as well as up to 1 percent of revenue from value-added taxes in each Member State.

One consequence of centralized Community resources will be that receipts from agricultural levies, customs charges, and contributions are available for all eligible EC expenditures, rather than earmarked specifically for agricultural outlays.

A review of the development of expenditures under the Guarantee Section shows that agricultural spending has generally increased since 1962-63, that the grains and dairy sectors account for the largest portion of payments made, and that France has been the largest beneficiary of the Fund.

From the inception of EAGGF through 1972, over $12 billion has been spent for agricultural market intervention and export subsidies. Growth of these expenditures reflects increasing coverage of products under the CAP.

Establishment of common prices for grains in 1967 accounted for a sharp rise in payments that year over the earlier period. The CAP on grains standardized intervention expenses and made possible reimbursements for export subsidies on gross exports at actual subsidy rates, as opposed to previous EC formulas to determine the lowest rates paid on net exports in Member States. By 1968-69, Community financing covered practically all EC agricultural production.

Because of price developments in certain commodity markets, payments in 1971 were lower than those in 1970 and 1972. In 1970, an effort was made to dispose of intervention stocks in cereals and milk products. Consequently, expenditures increased substantially and surpluses were down the following year. Moreover, higher world prices for many agricultural commodities in 1971 lowered needs for export assistance on butter, skim milk powder, colza, and sunflower seeds and oil. Payments in 1971 were almost equally divided between export subsidies and internal intervention measures.

Under the Guarantee Section, dairy and cereal supports have accounted for about two-thirds of all expenditures, followed by fats and oils, 12 percent; and sugar, 7 percent. Noteworthy was

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EC AGRICULTURAL PAYMENTS UNDER GUARANTEE SECTION—1971
[In units of account] [1]

Commodity	Export subsidies	Market interventions	Total
Cereals	285,984,076.51	187,579,741.53	473,563,818.04
Rice	48,557,917.62	1,222,424.97	49.780,342.59
Milk products	297,373,162.37	268,631,866.53	566,005.028.90
Oils and fats	1,928,955.04	111,116,299.86	113,045.254.90
Sugar	63,144,956.85	47,171,121.24	110,316,078.09
Beef and veal	17,493,752.77	1,594,353.87	19,088,106.64
Pigmeat	49,138,870.76	3,150,197.12	52,289,067.88
Eggs and poultry	11,927,315.45	—	11,927,315.45
Fruit and vegetables	7,110,506.19	46,788,899.20	53,899,405.39
Wines	71,451.78	28,179,596.07	28,251,047.85
Tobacco	—	73,764,141.62	73,764,141.62
Fisheries	36,299.29	137,374.02	173,673.31
Flax and hemp	—	698,568.20	698,568.20
Other [2]	18,464,897.55	—	18,464,897.55
Total	801,232,162.18	770,034,534.23 [3]	1,571,266,746.41

[1] Unit of account = US$1.20-1.35. Until 1971 U.S. devaluation, u.a. = US$1.00. [2] Processed products with agricultural ingredients. [3] EC Commission data vary. One later document cites total 1971 payments at 1,721,111,900 units of account. Source: EC Commission *First Financial Report EAGGF*, 1971.

Australia Expected To Reduce Subsidies to Agriculture

By DIANE B. ELLISON
Foreign Demand and Competition Division
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AUSTRALIAN AGRICULTURE may undergo far-reaching changes when a new advisory Commission for the rural sector replaces the Tariff Board. The expanded scope of the new Commission may well place it in a position to assist the Government in establishing long-term economic policies. It is expected to look closely at subsidies granted rural industries in the past.

The Commission's main function will be to advise the Government on assistance to industries seeking help and on the implications and effects of such aid. The "authority to advise" will embrace all forms of Government assistance and all types of industry—primary, secondary, tertiary (service), and mining industries. The Tariff Board activities did not cover primary industries.

On March 1, 1973, Prime Minister Gough Whitlam asked the Vice Chancellor of the Australian National University for recommendations on the Commission's functions, structure, membership, and procedures. His report has been referred to Parliamentary draftsmen to serve as basis for legislation.[1]

[1] Crawford, J. C. "A Commission to Advise on Assistance to Industries," Canberra. June 1973.

COMMONWEALTH PAYMENTS TO INDUSTRIES

	1970-71	1971-72	1972-73
Rural industries	*A $1,000*	*A $1,000*	*A $1,000*
Protective bounties			
Raw cotton bounty	2,973	795	—
Other payments			
Apple and pear stabilization	—	2,701	3,150
Canned fruits industry assistance	6,164	200	—
Dairy products			
Butter and cheese bounties	41,500	39,882	28,500
Marginal dairy farm reconstruction scheme	3,122	7,593	4,000
Processed milk products bounty	2,729	2,052	800
Devaluation compensation	21,000	7,204	250
Dried vine fruits stabilization	—	276	1,800
Egg industry assistance	—	—	750
Fruitgrowing industry reconstruction	—	—	2,000
Nitrogenous fertilizers	9,716	9,757	10,000
Petroleum products prices	23,829	25,230	26,800
Phosphate fertilizers bounty	40,815	45,795	46,000
Rural reconstruction	4,000	40,000	56,000
Wheat industry stabilization	29,008	58,357	47,000
Wool			
Advance for administrative expenses of Australian Wool Commission	300	—	—
Advances against possible loss by Australian Wool Commission	1,040	—	—
Deficiency payments for wool	—	52,802	1,000
Emergency assistance to growers	21,327	187	—
Payment against loss in 1970-71 by Australian Wool Commission	—	—	340
Wool marketing assistance	2,900	4,100	4,200
Total rural industries	210,424	296,911	232,590
Total manufacturing industries	90,889	92,493	120,627
Total mining industries	13,092	10,629	11,526
Total transport industries	2,273	2,081	2,000
Total Commonwealth payments to industries	316,677	402,134	366,743
	Percent	*Percent*	*Percent*
Percentage of total rural industries	66	74	63

[1] Estimated
Crawford, J.C., "A Commission to Advise on Assistance to Industries," Canberra. June 1973.

Legislation to establish an "Industries Commission" seems virtually assured of passage.

The new Commission could have a significant effect on Australian agriculture. The Government has already made it clear that it will be quite selective in the subsidies provided for the rural sector and plans to use the Commission to help decide on the desirability of future subsidies. The Government, in fact, has already taken steps to reduce subsidies to the wool industry and the Rural Reconstruction Program in fiscal 1973-74.

The former Liberal/County Party Government, on the other hand, provided substantial aid to many rural industries on a continuing basis, as shown in the accompanying table.

Substantial expenditures also have been made for promotion and research, with most of them going into agricultural commodities.

The report recommends that the Government be required to seek the advice of the Commission before taking long-term action (12 months or longer) to grant or change protection or assistance to any primary or secondary industry. This would include granting or changing duties or other barriers to imports as well as subsidies, bounties, or other forms of direct monetary support.

THE GOVERNMENT should consult with the Commission even when the assistance is to be temporary (less than 12 months) if tariffs or other import barriers are to be used. The Commission should have the power to initiate general reviews of assistance measures which have been unexamined for long periods of time.

The report advises that the Commission hold public hearings as a vital element in its inquiry process. This would allow participation by any person or organization which may be significantly affected by the possible outcome of the Commission's inquiries. In addition, the Commission should make full use of existing organizations such as the Bureau of Census and Statistics, the Bureau of Agricultural Economics, and the Bureau of Mineral Resources in collecting and analyzing data for its inquiries. It should also develop the capacity to collect data to fill gaps in the information available from these sources.

Establishment of a long-term inquiry schedule of reviewing Government assistance to industry is recommended to

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Israel's Agricultural Economy Is Undergoing Vast Changes

By RAFAEL N. ROSENZWEIG
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ISRAELI AGRICULTURE increasingly moves toward vertical integration of farming, processing, and marketing in an effort to fight cost inflation, expand exports of high-value crops, and overcome rigid domestic price controls on some of their most important products. As a result, the general structure of the country's farm economy is gradually changing.

Vertical integration seems a logical outgrowth of the cooperative communities in which 78 percent of the 275,200 Israeli rural residents live. Such communities are either a "moshav"-type village where private ownership is the rule, or a kibutz or collective farm where all capital goods are held in common and work is shared equally.

However, the majority of Israel's cooperative farmers are organized in moshav villages where each farmer has about 6 to 25 acres with 10 to 20 cows; 500 layers, turkeys, or broilers; or some combination of enterprises suited to the terrain and farmer preference.

In such communities, all farm inputs are purchased by the village, including any heavy farm machinery. Members' farm products are sold by village cooperatives, which also are responsible for providing a variety of educational, social, and municipal services. Each farmer has a separate account with the village cooperative and amounts due him are paid periodically in cash.

Few, if any structural changes have been made in the typical moshav-village since the first ones were established in the early 1920's. It is still predominantly a producer of agricultural products. More obvious changes are occurring, however, in the kibutzim (plural for kibutz), medium-size agricultural operations based on cash crops.

In 1971, 86,100 people lived in kibutzim, which are administered by a complex system of committees, elected officers, and a general assembly composed of all adult members of the community. Many of the services required by the farm and its members are supplied by the community fund since individual members are not paid wages.

Typically, the kibutz has a dairy herd of 300 milk cows, a 25,000-bird broiler operation, 400 acres of irrigated orchards, and from 1,000 to 4,000 acres of partially irrigated cropland.

While the moshav has preserved its predominantly agricultural character, the kibutz is becoming a combination of agricultural, industrial, and service enterprises, with industry gaining the upper hand.

Workshops, especially for carpentry, plumbing, and machinery service, became integral parts of the kibutz's facilities, often forming the nucleus of today's kibutz factories. Large communal kitchens—all members take their meals in common dining halls—bakeries, laundry plants, and trucking operations grew along with the community which totaled 376 persons in 1971. Others range in size from 60 to 1,400 persons.

During the sixties, efforts to increase the productivity of each kibutz resulted in a steady decline in the amount of labor invested in agriculture. Labor-intensive crops, such as most vegetables, disappeared, while potatoes, cotton, and other crops that could be mechanically harvested increased. Thus, part of the labor which became available was diverted into a great variety of industrial enterprises, some of which were only loosely, if at all, connected with agriculture.

Irrigation equipment—water meters, sprinklers, trickle-irrigation equipment, and sophisticated automatic electronic equipment—is produced by a number of kibutz factories. Other products are broilers, pharmaceuticals, toys, brushes, paints, detergents, shoes, and printed material.

Few kibutzim remain without at least one industrial enterprise; some have two. As a result, more than half the current income of all kibutzim is derived from industry. However, each kibutz tries to employ only its members. Employment of outside labor is considered exploitation and is not ideologically acceptable. To overcome this self-imposed limitation, regional industrial complexes, which are owned and managed by a local group of kibutzim, are being established.

At first kibutzim concentrated on service operations which gained efficiency when operated on a larger scale—feed mills, cotton gins, packinghouses for fruits and vegetables, and cold storage plants. In time, diversification became more pronounced. Further processing of produce, such as canning and juicing, poultry dressing and processing, freezing of french fried potatoes, and production of oil and protein extracts from cottonseed led to additional marketing. Huge regional truck repair shops began to attract outside commissions.

A typical regional enterprise may have a feed mill with up to 120,000 metric tons per year capacity, a cotton

Grading and sizing avocados, above, for export. Top, Miloubar, largest regional complex in Israel, mixes feed, processes poultry, gins cotton, and packs fruit. Far right, oranges and grapefruit waiting domestic and export markets at Milouot regional. Right, packing avocados at Miloubar.

gin with a yearly capacity of 15,000 bales, a poultry slaughtering plant capable of processing 15,000 broilers per day, and a variety of other facilities. Enterprise combinations vary, of course, according to the products produced in the surrounding area.

Within the regional complex, each plant is run as a separate unit, and occasionally plants may be owned by a group which is larger or smaller than the average regional. For example, in a given area, more kibutzim may be interested in the regional feed mill than in an olive-picking plant. In such an instance, only a limited number of kibutzim would invest in the picking plant, while all would be partners in the mill; both the mill and plant benefit from the services of the regional enterprise system.

Regional enterprises are nonprofit organizations—and charges for products, such as mixed feed, are figured on a cost basis. Member kibutzim are paid according to the actual return earned by their products, less processing costs. The enterprises are run and managed by delegated kibutz members. Most nonprofessional labor is hired from outside the kibutz membership.

WHILE IT IS hard to determine how much value is added to products processed by regional enterprises, many moshav-type villages believe it is considerable and are applying for membership in various regional enterprises. As this trend gains momentum, the cooperative character of the moshav begins to change. Each village must now adapt to producing and handling larger quantities which are essential if the regional enterprise is to show a profit. For example, feed must be received in bulk shipments of 12 tons and fruits and vegetables must reach the processing plant in truckloads.

On the other hand, the more direct interest each moshav farmer has in the returns earned by his product, the more concern he has for the economical operation of the processing plant.

With the opening of engineering and administrative careers to members of regional enterprises, many young moshav farmers will be able to apply their skills without leaving the village. This is likely to have the same stabilizing effect on the moshav as industrialization has had on kibutzim. Some regional enterprises have already established funds to enable eligible young members of kibutzim to study engineering and management—training essential for the continued growth and productivity of commune effort.

If this development is allowed to continue, and becomes a general feature of Israel's cooperative life, the country's agricultural structure may become vastly different.

Kenya Relaxes Import Restrictions As Balance of Trade Strengthens

Kenya's restrictions on imports from countries outside the East African Community left it in a stronger balance of trade position in 1972 than in the previous year. As a result Kenya has relaxed the import restrictions on raw products but will continue controls on consumer and luxury items.

Imports of agricultural commodities from the United States showed a slight increase in 1972, but U.S. trade statistics indicate that the gain resulted from the arrival of commodities that had been in the pipeline prior to last year.

Imports of restricted items from the United States went up slightly from $1.55 million in 1971 to $1.57 million in 1972 on the strength of larger shipments of nonfat dry milk under Title II, Public Law 480. However, imports of U.S. tallow, vegetable oil, wheat flour, alcoholic beverages, and mixed seasonings were sharply curtailed in 1972.

Total commercial exports from the United States to Kenya fell to $830,000 in 1972, less than one-third the total for the previous year.

Kenya's total imports from outside the East African Community amounted to $494.4 million in 1972, down $22.4 million from the previous year. The Government reported import controls in effect in 1972 were responsible for approximately $18.1 million worth of the reduction.

The slowdown in imports from outside the East African Community, accompanied by a healthy rise in exports, left Kenya with a visible trade deficit of $240.6 million in 1972, compared with $312 million in 1971.

Kenya's imports were reduced on a wide range of agricultural commodities in 1972. However, total import value of farm products covered by the controls increased by $1.8 million, because of a $9.1-million rise in the value of imported sugar, a State-traded commodity. The value of sugar imports rose from $10.6 million in 1971 to $19.7 million in 1972.

Excluding sugar, imports of restricted commodities dropped by $7.3 million in 1972. Total imports of commodities covered by the controls were estimated at $30.3 million in 1972, compared with $28.5 million for the previous year.

Kenya's imports of restricted items are expected to dwindle further in 1973, even with the relaxation of import controls.

Although the controls were not applicable to trade with members of the East African Community, Kenya's imports of restricted items from its partner States fell by $2.5 million. Smaller shipments of Tanzanian rice and beans along with a drop in cottonseed oil shipments by Uganda and Tanzania accounted for most of the decline in trade.

Kenya's total imports from Uganda and Tanzania fell to $37.8 million in 1972, compared with $44.8 million during the previous year. Kenya's exports to Uganda and Tanzania were also off slightly in 1972 at $92.2 million, down from $95.3 million in 1971.

—Based on dispatch from
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South Korea To Up Canned Mushroom Output

During the last 6 years South Korea has become an important producer and exporter of canned mushrooms. Mushroom production increased from 1,814 metric tons in 1967 to 19,505 metric tons in 1972; and exports of the canned item increased from 554 metric tons to 11,506 metric tons. So far, the 1973 spring crop—January through May—has totaled 13,143 metric tons, representing 44 percent of 29,643 metric-ton goal. Exports during the first 5 months of 1973 reached 5,122 metric tons, almost 50 percent of this year's target of 10,331 metric tons.

The South Korean Government recently announced changes in its policies and short-term plans for the mushroom canning industry. The main points of the revised policy are: Diversification of the export market, cessation of price increases to farmers, and discontinuation of production subsidies. While operating within the revised policy, the Government plans to increase production by increasing the yield and decreasing the area under cultivation.

The revised plan increases the 1976 production goal by 7 percent to total 39,600 metric tons, and decreases the 1976 export value to $19.3 million.

Currently processors operate 40 percent of the cultivated area and produce 60 percent of the crop, with individual farmers making up the balance. In view of the new policies' termination of production subsidies and price increases to farmers, it appears that processors will assume a much larger role in the cultivation of mushrooms.

Present indications suggest progress toward the diversification of the export market. The United States received 62 percent of the total canned mushrooms exported during the first 5 months of 1973, compared to 92 percent for the same period of 1972.

EC Funding Criticized

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the increase in tobacco payments from 11 million u.a. in 1970 to 112 million u.a. in 1972.

Under the 1962-70 financing system—based on Member States' contributions—the Netherlands and France were principal recipients of the Fund, drawing more from the Fund than they paid into it. Under the new system of centralized resources, individual Member State contributions will be eliminated by 1975, with no accounting made as to which State collects the agricultural charges turned into the Fund.

France, the largest agricultural producer, remains the Fund's most active participant, as well as the most active supporter of the CAP. Financing in Italy continues to pose administrative problems, resulting in EC accounts remaining open since 1967.

EC budgetary figures continue to be revised, generally upwards. In Germany, the sharp rise in reimbursements and contributions resulted in part from the 1969 devaluation of the deutsche mark.

The 880-million u.a. increase in the EAGGF budget for 1973 is slated to cover the costs of disposing of butter surpluses (500-600 million u.a.) and wheat and olive oil surpluses, higher support prices for 1973-74 (100-150 million u.a.), compensatory amounts to account for higher subsidies and lower levies in Italy and the United Kingdom (130 million u.a.), and compensatory amounts needed for accession arrangements for the new EC members (40 million u.a.).

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Sept. 4	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14	5.86	+10	2.34
USSR SKS-14	(1)	(1)	(1)
Australian FAO [2]	(1)	(1)	2.00
U.S. No. 2 Dark Northern Spring:			
14 percent	5.74	−11	2.11
15 percent	(1)	(1)	(1)
U.S. No. 2 Hard Winter:			
13.5 percent	(1)	(1)	2.10
No. 3 Hard Amber Durum	8.68	+11	2.08
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	3.12	−18	1.56
Argentine Plate corn	3.51	−25	1.84
U.S. No. 2 sorghum	3.05	−22	1.59
Argentine-Granifero sorghum	3.03	−12	1.61
U.S. No. 3 Feed barley	2.83	− 2	1.41
Soybeans: [3]			
U.S. No. 2 Yellow	7.94	−1.18	3.76
EC import levies:			
Wheat [4]	[5] 0	0	1.69
Corn [6]	[5] .29	+23	1.16
Sorghum [6]	[5] .33	+12	1.12

[1] Not quoted. [2] Basis c.i.f. Tilbury, England. [3] New crop. [4] Durum has a separate levy. [5] Levies applying in original six EC member countries. Levies in U.K., Denmark, and Ireland are adjusted according to transitional arrangements. [6] Italian levies are 18 cents a bu. lower than those of other EC countries.

Note: Price basis 30- to 60-day delivery.

Czech Grain Crop Could Set Record

Favorable yields from many areas of the Czechoslovak Republic have led Ministry of Agriculture officials to forecast a possible record grain harvest. The previous record crop in Czechoslovakia was 8.8 million tons harvested in 1971. Last year's crop was 8.7 million tons.

EC Durum Output Down

EC production of Durum in 1973 is estimated at 3.2 million tons. This is down from 3.5 million tons in 1972 and 3.8 million in 1971. Since Durum wheat consumption in the European Community is stable at about 3.8-3.9 million tons per year, the shortfall in 1973 production will have to be met with higher than usual imports.

Strong EC demand this year has been a key factor in driving up U.S. Durum prices. Given high prices and a general short supply of Durum around the world, the Community may be forced to amend its regulations prohibiting use of non-Durum wheat in pasta manufacture.

USDA Reports Export Sales of Grain, Some Oilseeds, Oils, and Meals

Based on information received by the U.S. Department of Commerce, USDA reports anticipated export sales of grains, certain oilseeds, vegetable oils, and meals, as of August 10, 1973.

This information, as reported by U.S. exporters under Export Control Bulletins 84(a) and 87 will be summarized each week under a cooperative arrangement between the Departments of Agriculture and Commerce.

ANTICIPATED EXPORTS IN INDICATED MARKETING YEAR [1] OF GRAIN, SOME OILSEEDS, OILS, AND MEAL, AS OF AUGUST 10, 1973
[In thousands of metric tons]

Commodity	1972-73	1973-74	1974-75
Wheat, totals	0	7,950	273
Hard Red Winter	0	5,390	148
Soft Red Winter	0	196	0
Hard Red Spring	0	920	88
White	0	254	0
Durum	0	1,189	37
Mixed	0	0	0
Barley, unmilled	0	863	0
Rye, unmilled	0	55	0
Oats, unmilled	0	268	0
Corn, except seed, unmilled	1,124	6,842	103
Grain sorghum, unmilled	298	681	0
Rice	0	13	0
Soybeans	224	3,084	239
Soybean cake and meal	173	1,983	180
Cottonseed, cottonseed cake, and meal	0	0	0
Soybean oil	39	188	0
Cottonseed oil	2	13	0

[1] Data shown for the 1972-73 marketing year cover the period from July 27, 1973, until the end of the current marketing year. Marketing years for wheat, barley, rye, and oats run from July 1 to June 30; for rice—Aug. 1 to July 31; for corn, grain sorghum, soybean and cottonseed meal, and soybean and cottonseed oil—Oct. 1 to Sept. 30; and for soybeans—Sept. 1 to Aug. 31.

U.K. Reduces Cereal Harvest Estimates

Recent reports on the U.K. cereal harvest indicate grain production will be smaller than originally forecast because of storms and adverse weather at harvesttime.

Wheat production, which reached 4.76 million tons last year, and had been estimated close to 5 million tons in the

current season, is now indicated to be 4.56 million tons. The barley crop, 9.24 million tons in 1972-73, had been estimated at 9.5 million tons in 1973-74, but is now expected to reach only 8.93 million tons.

Grain Exports and Transportation Trends: Week Ending August 24

Weekly grain inspections for export and grain moving in inland transportation for the week of August 24 and the previous week were:

Item	Week ending Aug. 24	Previous week	Weekly average, July	Weekly average, fourth quarter
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
Weekly inspections, for export:				
Wheat	679	821	749	755
Feedgrains	750	1,107	881	738
Soybeans	88	42	91	238
Total	1,517	1,970	1,721	1,731
Inland transportation:				
Barge shipments of grain	(1)	441	625	376
	Number	*Number*	*Number*	*Number*
Railcar loadings of grain	33,884	34,362	35,041	30,769

[1] Not available.

Brazil Imports U.S. Wheat

On August 22, Brazil bought 500,000 tons of U.S. wheat, which should about meet its 3.1 million-ton import requirement for calendar 1973. Brazil imported 1.8 million tons of wheat in calendar 1972, and 1974 requirements are expected to be about 2 million.

Imports during July-June 1972-73 were 2.6 million tons and are expected to be about 2.3 million in 1973-74.

SUGAR AND TROPICAL PRODUCTS

Ethiopia Gets Coffee Diversification Loan

On August 2, 1973, representatives of Ethiopia and the International Coffee Organization (ICO) signed loan contracts under which the Diversification Fund of the ICO will provide US$2.7 million toward the US$4.7 million cost of surveying the Ethiopian coffee industry and developing tea production in the Illubabor Province. The Commonwealth Development Corporation of the United Kingdom is expected to provide both the balance of the required financing and the management for the projects which are scheduled to be completed by 1980.

The purpose of the coffee industry survey is to collect basic information necessary to formulate policies for the rationalization of the coffee sector and for diversification into alternative crops. The other project is to develop the Gumaro tea plantation and construct a tea factory in the coffee growing area of Illubabor Province to help meet the domestic demand for tea. Coffee accounted for 55 percent of the value of all exports from Ethiopia in 1972.

Swaziland Considers New Sugar Mill

Construction of a third sugar mill in Swaziland is the subject of a feasibility study conducted by the Commonwealth Development Corporation. Sugar officials point out that the question of a third mill depends upon increased markets for Swaziland sugar. Some think there should not be a decision until it is known what arrangements there will be after December 31, 1974, when both the Commonwealth Sugar Agreement and the United States Sugar Act expire.

Production of sugar from the campaign now in progress is expected to be up from the 171,000 metric tons of last year. The two mills are crushing at near capacity, but could possibly step up their production by 10 to 20 percent. Labor for cane cutting has been sufficient this year, in contrast to last year when for the first time it became illegal to import *Shangaan* laborers from Portuguese Mozambique.

FRUIT, NUTS, AND VEGETABLES

Outlook for Turkish Filberts and Almonds

The Turkish trade anticipates an unusually large 1973 filbert crop of 242,000 short tons (in-shell basis). However, many feel the crop will approach the 1970 record of 265,000 tons. Harvest began on August 9 under favorable weather conditions.

The 1973 support prices recently announced by the Turkish Government are the equivalent of approximately 31.3 and 30.3 U.S. cents per pound of round unshelled filberts, for members and nonmembers of the marketing cooperative, respectively. These levels represent increases of 14 and 17 percent over last season's rates. The effect on exporters will be minimized, however, by a change in the exchange rate for filbert exports effective July 13, 1973, from 13 Turkish lire (T.L.) per U.S. dollar to 14 T.L. per U.S. dollar. Thus, in dollar terms support prices were raised only 6 percent.

For the second consecutive year, the Turks are harvesting a large almond crop. Current estimates place the crop at 9,000 short tons (kernel-weight basis), equal to last year's output. Most of the crop is consumed domestically. However, the large crop combined with strong foreign demand should result in expanded exports.

For the 1972-73 season, total exports are projected at 2,000 tons of shelled sweet almonds, 750 tons of shelled bitter almonds, and 40 tons of unshelled almonds. This compares to the 1971-72 total of 0.2, 35, and 3 tons, respectively. West Germany was the main buyer followed by Italy.

Italy's Almond and Filbert Outlook

Although the full extent of this spring's adverse weather on the Italian almond crop is unknown, current estimates are for a 1973 harvest of 8,000 short tons (kernel-weight basis), the lowest output in decades. Industry sources indicate almond exports will fall sharply and that Italy may be a net importer of almonds this season.

As a result, domestic almond consumption is expected to decline, with demand shifting to peanuts and filberts.

Conversely, Italian filbert prospects are outstanding. Production is expected to total a near record 100,000 tons (in-

shell basis), 30 percent above last year. Contributing to a strong market at home and abroad are tight almond supplies and a devalued Italian lire.

COTTON

Britain's Courtaulds Ends Sales Of All-Cotton Yarns

According to a recent trade report, Courtaulds Limited, a textile firm controlling about one-third of the British industry, has announced the termination of sales of 100-percent cotton yarns. Scarcity and high price of raw cotton were given as reasons. The spindle capacity involved will be switched to blends of cotton-rayon, cotton-polyester, and polyester-rayon.

The company's obligations under existing contracts will be honored but no new contracts calling for 100-percent cotton yarns will be accepted.

FATS, OILS, AND OILSEEDS

South American Soybean Industry Reps Visit Japan

The Japan External Trade Organization (JETRO) has invited representatives of the soybean industries of Brazil and Argentina to Japan to discuss ways in which Japan can help the two countries become bigger and more reliable suppliers of soybeans for Japan. This is in line with JETRO's overall efforts to encourage developing countries to produce more agricultural commodities for export to Japan.

Meetings are scheduled for November 5-7. The visitors' expenses will be paid by JETRO. Participants on the Japanese side will be representatives of the six major soybean user groups—crushers and miso, shoyu, tofu, frozen tofu, and natto manufacturers.

TOBACCO

PRC To Buy 800,000 Pounds Of U.S. Flue-Cured Leaf

A contract has recently been signed to supply about 800,000 pounds of U.S. tobacco to the People's Republic of China (PRC). Signed in Peking by the Carolina Leaf Tobacco Company, Inc., of Greenville, N.C., the contract provides $900,000 worth of high-quality flue-cured leaf to be shipped to the PRC from a North Carolina port in September 1973.

This is the second sale of U.S. tobacco to the PRC reported this year. A sale for about 200 metric tons was reported by American tobacco exporters in June.

Australia Reduces Tariff On Unmanufactured Tobacco

The Minister for Overseas Trade announced, effective on July 19, Australia had decided to grant on tobacco a unilateral tariff reduction of 25 percent. The rates for unmanufactured tobacco, including homogenized or reconstituted tobacco, is now $A1.775 per kg. under the general and MFN tariff rates. However, exceptions to this tariff cut were all manufactured products including cigarettes, cigars, fine-cut tobacco, and snuff. Special preferential rates which apply to imports from Malawi and Zambia are also being adjusted.

The effect of these tariff reductions on Australian tobacco imports is not expected to be significant because the nontariff barrier in the mixing regulations providing for a 55-percent domestic tobacco content remains unchanged. During 1972–73 Australian imports of U.S. unmanufactured tobacco were 13.6 million pounds, about the same as that purchased in the previous year.

LIVESTOCK AND MEAT PRODUCTS

New Zealand Firm To Ship Chilled Beef to Japan

A new company in New Zealand, using feedlot beef-production methods on a large-scale for the first time, plans to export fattened beef, mostly to Japan, next year. Called the Beef Export Development and Research Co., the new organization will be financed by Thomas Borthwich and Co. and two of New Zealand's large cattle operators.

The beef produced will be processed at Borthwich's freezing works at Feilding, N.Z., which will have proper facilities installed for handling by the end of 1973.

The cattle, in lots of about 1,000 at a time, will be grain fed for about 60 days before being shipped out. Present plans call for an annual through-put of 6,000 cattle.

GENERAL

Alberta Forms Export Agency

The Alberta Export Agency was recently formed to make available export credit, forwarding facilities, and other export assistance to Alberta agricultural exporters. This agency is the first of its kind established on a Provincial basis in Canada.

The initial funding of the agency will be $10 million with additional authorization to guarantee loans as credit requirements develop. While full details have not been worked out, it is probable Alberta farmers and producer groups will receive export assistance in selling meat products, live cattle, and agricultural seeds to the United States.

Exports of these products in 1972 totaled $20 million.

New Foreign Agriculture Circulars

- World Tallow and Grease Production and Trade in 1972 (FLM-16-73)
- June Trade in Livestock and Meat Products (FLM-17-73)

Single copies may be obtained free from the Foreign Agricultural Service, USDA, Washington, D.C. 20250, Rm. 5918 S.; Tel.: 202-447-7937.

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FOREIGN AGRICULTURE

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Australia Expected To Reduce Farm Subsidies

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allow the existing organizations time to include such studies in their regular work program. Several primary assistance measures which are suggested for the Commission's 1973-74 and 1974-75 programs are:

- Wheat industry: renewal of stabilization and marketing arrangements.
- Sugar industry: review of Commonwealth State Sugar arrangements.
- Canned fruit industry: marketing arrangements and guaranteed prices.
- Tobacco industry: stabilization and marketing arrangements.
- Apples and pears industry: stabilization arrangements and industry readjustment.
- Brandy: review of excise and protection.
- Rice industry: organized marketing arrangement and associated request for stabilization scheme.
- Dairy industry: stabilization arrangements, bounties including processed milk products bounty, and industry readjustment.
- Nitrogenous fertilizer subsidy: legislation expires December 1974.
- Phosphate fertilizers bounty: legislation expires December 1974.

These industries will be required to provide justification in order to continue receiving the bounties and subsidies now being paid under legislation enacted by the former Government. The Commission will carry out a thorough examination of all agricultural subsidies, beginning with those about to expire. The current 5-year Wheat Stabilization Plan has been extended for 1 year to give the Commission time to review the new plan, which has yet to be written.

Since the release of the report in June, the Government has announced that the present chairman of the Tariff Board, Mr. G. A. Rattigan, a proponent of lower protection and a more competitive economy, will be appointed chairman of the new Commission. He is expected to play a significant role in drafting the legislation to establish the Commission.

The Government has made it clear that the amount of money going into subsidies for the Australian rural sector will decrease within the next few years, and that Government emphasis will be on the use of more aggressive and efficient marketing techniques by the Australian farmer to maintain or expand his income.

COMMONWEALTH CONTRIBUTIONS TO PROMOTION AND RESEARCH
[In A $1,000]

Item	1970-71	1971-72	1972-73 [1]
Wool promotion and research	27,744	27,974	27,000
Objective measurement of wool	446	658	700
Other rural research			
Wheat	730	750	800
Meat	1,490	1,751	1,900
Dairy	436	398	410
Fishing	2	192	430
Tobacco	370	450	400
Miscellaneous	360	447	576
Export promotion payments	4,306	4,425	4,952
Coal research	260	260	260
Total	36,144	37,306	37,428

[1] Estimate. Crawford, J. C., "A Commission to Advise on Assistance to Industries," Canberra. June 1973.

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